

Nantucket Electric

A **National Grid** Company



Amy G. Rabinowitz
Counsel

December 18, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: 2004 Cable Facilities Surcharge; D.T.E. 03-120

Dear Secretary Cottrell:

I am enclosing Nantucket Electric Company's response to the Department's record request. We appreciate your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: John Craven, Hearing Officer
Joseph Rogers, Office of the Attorney General

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Record Request 1

Request:

Please provide revised pages 29, 30, 31, and 37 of Exhibit NEC-1 which reflect the testimony of Scott McCabe.

Response:

See attached.

Response prepared by or under the supervision of: Scott M. McCabe

1 WJG-1 and increased by \$3,144, the adjustment needed to reflect the final over collection
2 of CFS revenue of \$28,720 for 2002, as calculated in Exhibit WJG-1, Page 1 as well as
3 Exhibit SMM-1, Page 3, Section II. The total 2004 revenue requirement based on these
4 three components is \$2,260,191.

5
6 Q. Can you please explain each of the adjustments to the 2004 Cable Facilities cost of
7 service?

8 A. Yes. The estimated 2003 over collection of \$259,765 results from a reconciliation of
9 2003 CFS revenue, included in Exhibit SMM-1, Page 2, Section I, and the updated 2003
10 Cable Facilities cost of service as shown in Exhibit WJG-3. In order to estimate the
11 amount of the over collection for the entire calendar year, forecasted revenue for the
12 months of November and December is determined by multiplying forecasted kWh sales
13 for each rate class by the appropriate 2003 CFS. In the 2005 CFS filing which will be
14 submitted during the later part of 2004, these amounts will be replaced with actual CFS
15 revenue and any further over collection or reduction in the estimated over collection
16 included in this filing will be credited or charged to customers through the 2005 CFS.
17 The 2003 over collection is the result of actual CFS revenue exceeding the CFS revenue
18 estimated for 2003. This additional revenue is due to higher kilowatt-hour sales during
19 2003 of approximately 13 million kWh over 2002 levels, which produces an over
20 collection of \$259,765.

1 The adjustment of \$3,144 to arrive at the final 2002 over collection of \$28,720 results
2 from the final reconciliation of actual 2002 CFS revenue and the actual 2002 Cable
3 Facilities cost of service. In last year's CFS filing, the estimated 2002 over collection of
4 \$31,864 included two months of forecasted revenue and three months of estimated cost
5 of service data. These have been replaced with actual revenue and cost of service data in
6 this filing. The actual amount of over collection for 2002 is \$28,720 versus an estimated
7 over collection of \$31,864, which was included in last year's filing and is reflected in the
8 current 2003 CFS. Therefore, an adjustment of \$3,144 needs to be reflected in the 2004
9 CFS to bring the final amount of over collection passed back to customers to \$28,720.

10
11 Q. How does the 2004 CFS revenue requirement compare to the 2003 CFS revenue
12 requirement presently being collected from customers?

13 A. The 2004 CFS revenue requirement of \$2,260,191 represents a decrease of \$378,016
14 from the 2003 CFS revenue requirement of \$2,638,207. The decrease is the result of the
15 difference between the net over collection proposed to be passed backed to customers in
16 2004 and the net under collection charged to customers in 2003 (net over collection of
17 \$256,621 in 2004 and net under collections of \$4,735 in 2003, respectively), resulting in
18 a decrease in the revenue requirement of \$261,356. This is coupled with a decrease of
19 \$111,611 in the 2004 cable cost of service as compared to the 2003 cable cost of service,
20 as well as a decrease of \$5,049 in the updated 2003 cable cost of service as compared to
21 the original estimate of the 2003 cable cost of service.

1 Allocation of Cable Facilities Revenue Requirement to Rate Classes

2 Q. How is the Cable Facilities revenue requirement allocated to the different rate classes?

3 A. The Company proposes to allocate the 2004 revenue requirement of \$2,260,191 to the
4 Company's rate classes based on the amount of revenue each rate class has contributed
5 during 2003. This allocation method is consistent with the allocation methodology used
6 for the CFS since its inception. Nantucket has developed an allocator based on actual
7 CFS revenue billed to customers during the period of January 2003 through October 2003
8 and the estimated CFS revenue for the months of November and December of 2003. The
9 accumulation of revenue by month is shown in Exhibit SMM-1, Page 2, Section I. The
10 allocator based on this revenue is found in Exhibit SMM-1, Page 1, Line (6). The
11 allocation of the revenue requirement to each rate class is located on Line (7) of Exhibit
12 SMM-1, Page 1.

13
14 Q. Why has the Company chosen to allocate the Cable Facilities revenue requirement in this
15 manner?

16 A. The Company believes that allocating the 2004 Cable Facilities cost to rate classes based
17 on relative revenue contribution ensures equity among rate classes and avoids any
18 potential rate shock that might be experienced under an alternative allocation method. In
19 the first year of the CFS (1997), the Merger Agreement required that the Cable Surcharge
20 be set at such a level that customers would not be paying, on average, more than they
21 were paying prior to the in-service date of the cable. The design of the 1997 CFS

NANTUCKET ELECTRIC COMPANY
2004 Cable Facilities Surcharge Calculation

	Total	R-1	R-2	R-4	E	G-1	G-2	G-3	Streetlights
(1) 2004 Estimated Cable Cost of Service	\$2,516,812								
(2) Estimated Overcollection of 2003 Cable Cost of Service to be included in 2004 CFS	(\$259,765)								
(3) Adjustment to Arrive at Final Overcollection of 2002 Cost of Service to be included in 2004 CFS	\$3,144								
(4) Total 2004 Cable Cost of Service	\$2,260,191								
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(5) Cable Facilities Surcharge Revenue	\$2,892,923	\$1,635,734	\$13,503	\$0	\$6,226	\$601,721	\$467,908	\$166,253	\$1,579
(6) Revenue Allocator	100.00%	56.54%	0.47%	0.00%	0.22%	20.80%	16.17%	5.75%	0.05%
(7) Allocated 2004 Cable Cost of Service	\$2,260,191	\$1,277,971	\$10,549	\$0	\$4,864	\$470,114	\$365,568	\$129,890	\$1,234
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(8) Cable Revenue by Season									
(8a) Summer Revenue	\$1,310,644	\$774,387	\$5,091	\$0	\$2,084	\$252,040	\$214,972	\$61,645	\$426
(8b) Winter Revenue	\$1,582,278	\$861,347	\$8,412	\$0	\$4,141	\$349,681	\$252,936	\$104,608	\$1,153
	\$2,892,923	\$1,635,734	\$13,503	\$0	\$6,226	\$601,721	\$467,908	\$166,253	\$1,579
(9) Cable Cost of Service by Season									
(9a) Summer Cost	\$1,023,984	\$605,015	\$3,977	\$0	\$1,628	\$196,914	\$167,954	\$48,162	\$333
(9b) Winter Cost	\$1,236,207	\$672,956	\$6,572	\$0	\$3,236	\$273,200	\$197,615	\$81,728	\$901
	\$2,260,191	\$1,277,971	\$10,549	\$0	\$4,864	\$470,114	\$365,568	\$129,890	\$1,234
(10) kWh Sales by Season									
(10a) Summer kWh Sales	49,774,585	30,998,900	227,365	0	78,878	9,540,194	6,301,367	2,552,576	75,305
(10b) Winter kWh Sales	84,724,593	55,597,457	566,625	0	479,565	14,290,609	8,548,677	5,037,928	203,732
	134,499,178	86,596,357	793,990	0	558,443	23,830,803	14,850,044	7,590,504	279,037
(11) 2004 Cable Surcharge by Season									
(11a) Summer CFS	\$0.02057	\$0.01951	\$0.01749	\$0.00000	\$0.02064	\$0.02064	\$0.02665	\$0.01886	\$0.00442
(11b) Winter CFS	\$0.01459	\$0.01210	\$0.01159	\$0.00000	\$0.00674	\$0.01911	\$0.02311	\$0.01622	\$0.00442
(11c) Annual Average CFS	\$0.01680	\$0.01475	\$0.01328	\$0.00000	\$0.00870	\$0.01972	\$0.02461	\$0.01711	\$0.00442

- (1) Cable Facilities Surcharge Cost of Service Exhibit WJG-1, Page 1, Line (1)
(2) Page 2, Section II, Calculation of Estimated Overcollection
(3) Page 3, Section II, Calculation of Final Overcollection
(4) Line (1) + Line (2) + Line (3)
(5) Page 3, Section I, Cable Facilities Surcharge Revenue
(6) Line (5) as a percentage of the total of Line (5)
(7) Line (4) allocated by Line (6)
(8a) Page 3, Section I, Cable Facilities Surcharge Revenue
(8b) Page 3, Section I, Cable Facilities Surcharge Revenue
(9a) Line (7) allocated by Line (8a) as a total of Lines (8a) + (8b)
(9b) Line (7) allocated by Line (8b) as a total of Lines (8a) + (8b)
(10a) Page 4
(10b) Page 4
(11a) Line (9a) ÷ Line (10a)
(11b) Line (9b) ÷ Line (10b)
(11c) Total Line (9) ÷ Total Line (10)